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HALLNOR MINES, LIMITED

ANNUAL REPORT 1971

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HALLNOR MINES, LIMITED

EXECUTIVE OFFICE: SUITE 1700 — 44 KING STREET WEST, TORONTO 1

DIRECTORS

W. G. Brissenden	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
K. C. Gray	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
W. S. Row	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
J. H. Stovel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto

OFFICERS

D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	President
W. S. Row	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice-President
J. A. Graham	-	-	-	-	-	-	-	-	-	-	-	-	-	-	General Manager
B. H. Grose	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Secretary
E. K. Cork	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Treasurer

TRANSFER AGENT AND REGISTRAR: Canada Permanent Trust Company, Toronto

ANNUAL MEETING: April 18, 1972 — 3.30 p.m. (Toronto Time) Suite 1700 — 44 King Street West

DIRECTORS' REPORT TO THE SHAREHOLDERS

Two dividends totalling \$3.04 per share were paid in 1971, one of 4¢ on March 1 and another of \$3.00 on June 1. A further 30¢ dividend has been declared payable on March 1, 1972.

Efforts made early in the year to develop additional ore were unsuccessful. The margin of profit from mining operations decreased as the tonnage of ore in reserve and the number of working stopes declined. An independent Consulting Engineer, who was hired to make an examination of the mine, reported at the end of March as follows:

- "(a) as the reserves decrease the number of working places will decrease and a steady daily tonnage rate of mill feed will not be possible;
- (b) fluctuations in grade of mill feed will be more difficult to control;
- (c) the spread between ore reserve grade and mill head grade will not lessen;
- (d) miners will become increasingly difficult to retain and to recruit;
- (e) backfill material (classified mill tailings) may be in short supply;
- (f) substantial capital expenditures may be required because of the age of the plant.

Consequently there is no foreseeable operating profit to be won from the mine and as 1971 progresses the risk of an operating loss increases month by month.

A cessation of mining and milling and a realization on the fixed assets, including gold trapped in the mill circuit, should be made at an early date.

The remaining underground reserves of gold bearing material have no commercial value."

The Engineer's report confirmed the opinion of management and following an operating loss in April, sale of the mine, plant and equipment to Pamour Porcupine Mines, Limited was negotiated, the supply of ore to the mill was stopped and the circuit was run out to recover accumulations of gold for the credit of Hallnor.

The agreement for sale included an undertaking that the purchaser use its best efforts to place employees in comparable jobs. For those terminated, a plan to provide compensation on a scale somewhat more favorable than the schedule set out in the Ontario Standards of Employment Act was implemented.

After 33 years of profitable production, operation of the Hallnor mine was ended. The company retains townsite buildings, surface rights on the property, and responsibility for rehabilitation of the tailings storage area.

Your Directors wish to record their appreciation of the loyalty and services rendered by the Manager, his staff and all employees.

On behalf of the Board,

D. E. G. SCHMITT,
President.

Toronto, Ontario,
January 27, 1972.

EARNINGS PER SHARE	1971	1970
Loss before EGMA credit	(4.9¢)	(24.6¢)
EGMA credit	8.2	20.2
Operating Income (Loss)	3.3¢	(4.4¢)
Investment Income	11.4	23.3
	14.7¢	18.9¢
Provision for (recovery of) Income and Production Taxes	1.4	(1.7)
	13.3¢	20.6¢
Extraordinary Items	36.1	—
	49.4¢	20.6¢

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
INCOME		
From metal production	\$ 590,581	\$1,524,327
EXPENSE		
Cost of production	648,480	1,961,953
Administrative expenses	40,544	31,226
Depreciation	596	23,880
	<u>689,620</u>	<u>2,017,059</u>
Less: Recoverable under The Emergency Gold Mining Assistance Act	<u>165,081</u>	<u>403,300</u>
	<u>524,539</u>	<u>1,613,759</u>
OPERATING INCOME (LOSS)	<u>66,042</u>	<u>(89,432)</u>
Investment income —		
Dividends and bond interest from affiliated and associated companies	77,829	291,850
Other dividends and interest	<u>149,929</u>	<u>175,237</u>
	<u>227,758</u>	<u>467,087</u>
Provision for (recovery of) income taxes	293,800	377,655
	<u>27,308</u>	<u>(33,359)</u>
INCOME BEFORE EXTRAORDINARY ITEMS	<u>266,492</u>	<u>411,014</u>
EXTRAORDINARY ITEMS		
Net gain on sale of mine assets, stores and investments, less mining properties written off	<u>721,499</u>	—
NET INCOME	<u>987,991</u>	411,014
RETAINED EARNINGS		
Balance — beginning of year	5,910,289	5,759,508
	<u>6,898,280</u>	<u>6,170,522</u>
Prior years' income tax liabilities and accumulated tax reductions no longer required	125	59,767
	<u>6,898,405</u>	<u>6,230,289</u>
Less: Dividends	6,080,000	320,000
Balance — end of year	<u>\$ 818,405</u>	<u>\$5,910,289</u>
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS	<u>13.3¢</u>	<u>20.6¢</u>
EARNINGS PER SHARE AFTER EXTRAORDINARY ITEMS	<u>49.4¢</u>	<u>20.6¢</u>

BALANCE SHEET

ASSETS	1971	1970
CURRENT ASSETS		
Cash and short-term deposits	\$2,007,689	\$3,827,068
Bullion	—	177,235
Marketable investments — at cost	—	29,515
Accounts, notes, interest and dividends receivable	148,001	16,865
Receivable under The Emergency Gold Mining Assistance Act	25,116	199,590
Income taxes recoverable	—	92,559
Stores — at cost	—	214,721
Prepaid expenses	15,000	10,358
	<hr/> 2,195,806	<hr/> 4,567,911
INVESTMENTS, at cost, less amounts written off		
Shares and bonds — associated and affiliated companies	—	2,440,798
FIXED ASSETS (note 1)		
Plant, buildings, equipment and townsite — at cost	119,888	1,561,820
Accumulated depreciation	117,906	1,474,889
	<hr/> 1,982	<hr/> 86,931
Mine properties — at cost	—	362,500
	<hr/> 1,982	<hr/> 449,431
	<hr/> \$2,197,788	<hr/> \$7,458,140

NOTES.

1. On May 1, 1971 the company sold the mine, plant, equipment and stores to Pamour Porcupine Mines, Limited but retained townsite buildings, surface rights and certain liabilities including rehabilitation of the tailings storage area.
2. The aggregate direct remuneration paid or payable to the five senior officers of the company (as defined in the Business Corporations Act) amounted to \$38,356.

HALLNOR MINES, LIMITED
 (Under the Laws of Ontario)

STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 1971

	LIABILITIES	1971	1970
CURRENT LIABILITIES			
Accounts payable	\$ 14,575	\$ 210,351	
Taxes payable	27,308	—	
	<hr/> 41,883	<hr/> 210,351	
SHAREHOLDERS' EQUITY			
Capital Stock			
Authorized, issued and fully paid —			
2,000,000 shares of \$1 each	2,000,000	2,000,000	
Discount thereon	662,500	662,500	
	<hr/> 1,337,500	<hr/> 1,337,500	
RETAINED EARNINGS	818,405	5,910,289	
	<hr/> 2,155,905	<hr/> 7,247,789	
Signed on behalf of the Board:			
D. E. G. SCHMITT, Director			
W. S. ROW, Director			
	<hr/> \$2,197,788	<hr/> \$7,458,140	

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Hallnor Mines, Limited as at December 31, 1971 and the statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
 January 25, 1972.

McDONALD, CURRIE & CO.,
 Chartered Accountants.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
WORKING CAPITAL — BEGINNING OF YEAR	<u>\$4,357,600</u>	<u>\$1,367,800</u>
 SOURCE OF FUNDS		
Operations —		
Net income for the year before extraordinary items	266,600	411,000
Depreciation	600	23,900
Prior years' income tax liabilities written off	—	41,400
Sale of mine assets, stores and investments (net)	<u>3,610,400</u>	<u>3,229,400</u>
	<u>3,877,600</u>	<u>3,705,700</u>
 APPLICATION OF FUNDS		
Dividends	6,080,000	320,000
Fixed assets	1,300	20,900
Purchase of investments	—	375,000
	<u>6,081,300</u>	<u>715,900</u>
NET (DECREASE) INCREASE	<u>(2,203,700)</u>	<u>2,989,800</u>
WORKING CAPITAL — END OF YEAR	<u>\$2,153,900</u>	<u>\$4,357,600</u>

MANAGER'S REPORT

To the President and Directors:

The following summary for 1971 covers the operating period from January 1 to April 30, after which date, the mine, plant and equipment were sold to Pamour Porcupine Mines, Limited.

MINE

Development

Results from the exploration of two veins were disappointing. On the 28th (4300') level, 119 feet of drifting explored the 22 vein. On the 31st (4750') level, 68 feet of drifting and 63 feet of cross-cutting explored the 20 vein. No ore was found.

Development Summary

	Feet of Advance	
	January-April 1971	Year 1970
Drifts and crosscuts	274	1,600
Raises	6	305
Stoping and preparation	2,437	5,810
Diamond drilling	3,256	19,140

STOPING

Production from stopes totalled 38,500 tons. Tonnage hoisted in No. 3 shaft from below the 22nd (3350') level amounted to 76% of the total.

The fill system handled 18,340 tons of classified mill tailings, 370 tons of pit sand and 1,740 tons of mine waste rock to stopes for backfill.

Tonnages of ore, including stope preparation and development, from various levels were as follows:

Level	Below Surface (feet)	Mine Production-Tons	
		1971	To Date
1st to 8th	1,400	6,570	2,635,500
18th	2,750	—	28,500
19th	2,900	—	248,000
20th	3,050	—	129,500
21st	3,200	260	44,000
22nd	3,350	1,880	33,000
23rd	3,500	—	81,000
24th	3,700	1,100	170,000
25th	3,850	3,900	138,000
26th	4,000	1,900	149,000
27th	4,150	6,900	55,000
28th	4,300	2,000	33,000
29th	4,450	5,500	25,000
30th	4,600	6,000	13,000
31st	4,750	4,000	11,000
32nd	4,900	500	500
		40,510	3,794,000
Lower Level Development		1,000	263,000
		41,510	4,057,000

MILL

Ore treated in the four-month period amounted to 42,300 tons averaging 0.408 oz. of gold per ton. Recovery was 96.5% for production of 16,680 ounces of gold and 1,000 ounces of silver.

From commencement of milling in June 1938 to April 30, 1971, the mill treated 4,056,160 tons of ore yielding 1,580,695 fine ounces of gold and 113,190 fine ounces of silver with a combined value of \$57,939,300.

The program for re-establishment of vegetation on the tailings storage areas, which began in 1968, was continued.

GENERAL

Of 145 employees on the payroll at April 30, 77 at year-end were working at the Pamour No. 2 Mine, 25 were employed at the Pamour No. 1 or at Aunor, and 43 had separated.

There are no operating personnel on the Hallnor Mines, Limited payroll. All services for townsite maintenance are performed at cost by Pamour employees or other contractors.

Respectfully submitted,

Pamour, Ontario,
January 27, 1972.

J. M. SLACK,
Manager.

